

CITY OF EMMETSBURG, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2013

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CITY OF EMMETSBURG, IOWA

CITY OFFICIALS

<u>Official Title</u>	<u>Name</u>	<u>Term Expires</u>
(Before January 2013)		
Mayor	Myrna Hedding	January 2, 2016
Mayor Pro Tem	Steve Finer	January 2, 2014
Council member	Brian Campbell	January 2, 2014
Council member	Brian Malm	January 3, 2014
Council member	Bill Burdick, Jr.	January 2, 2016
Council member	Corey Gramowski	January 2, 2016
Council member	Tony Kauten	January 2, 2016
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	
(After January 2013)		
Mayor	Myrna Hedding	January 2, 2016
Mayor Pro Tem	Steve Finer	January 2, 2014
Council member	Brian Campbell	January 2, 2014
Council member	Brian Malm	January 3, 2014
Council member	Bill Burdick, Jr.	January 2, 2016
Council member	Corey Gramowski	January 2, 2016
Council member	Tony Kauten	January 2, 2016
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	

Burdorf, Parrott And Associates, P.C.

Certified Public Accountants

Edwin J. Burdorf, CPA
Patrick J. Parrott, CPA
www.bpacpa.com

313 Main, P.O. Box 500
Emmetsburg, Iowa 50543
Phone: 712-852-3147
Fax: 712-852-3149

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City
Council of the City of Emmetsburg, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members American Institute of Certified Public Accountants

Basis for Qualified Opinion on Governmental Activities, the Business-type Activities and Aggregate Discretely Presented Component Units

The City's capital assets policies, as described in Note 1 D (4) and Note 3 B to the financial statements, do not conform to accounting principles generally accepted in the United States of America. In addition, as described in Note 4 E to the financial statements, the City did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions. Had these accounting principles been implemented, there would be an increase in assets, there might be an increase in liabilities which would lead to an increase or decrease in net position, and an increase in expenses of the governmental activities and aggregate discretely presented component unit. The amount by which these departures would affect the assets, net position and expenses of the governmental activities, the business-type activities and aggregate discretely presented component unit has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "basis for qualified opinion on governmental activities, the business-type activities and aggregate discretely presented component units" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the aggregate discretely presented component units of the City of Emmetsburg, Iowa, as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis and the other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emmetsburg, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed qualified opinions on those statements, for the effects on the financial statements, if any, of the omissions described in the basis for qualified opinion on governmental activities, the business-type activities and aggregate discretely presented component units. The other supplementary information, listed in the table of contents, is presented for the purpose of additional analysis and is

not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Burdorf, Parrott And Associates, P.C.
Emmetsburg, Iowa
January 17, 2014

Management's Discussion and Analysis

Our discussion and analysis of the City of Emmetsburg, Iowa's financial performance provides an overview of the City's financial activities for the year ended June 30, 2013. Please read this information in conjunction with the City's financial statements, which follow.

Financial Highlights

- Revenues of the City's governmental activities decreased \$313,903 or 6.42% from fiscal year 2012 to fiscal year 2013. Property taxes and assessments decreased \$328,986 for all activities.
- Program expenses of the City's governmental activities decreased \$179,503 or 5.34% in fiscal year 2013 from fiscal year 2012. Culture and Recreation expense decreased \$130,302 and capital outlay not included in capital assets expenses decreased by \$64,568. Community and Economic Development increased by \$36,676.
- The City's net position for the primary government increased \$1,048,408 from June 30, 2012 to June 30, 2013. Of this amount, the net position of the governmental activities increased \$1,009,494 and the net position of the business-type activities increased by \$38,914.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the City as a whole and present an overall view of the City's finances.
- The Fund Financial Statements tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and Capital Projects Funds.

Reporting the City's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City of Emmetsburg in a better financial position at the end of the fiscal year, compared to last year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector

companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents all of the City's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. A person will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, interest on debt and debt related fees and capital outlay not included in capital assets. Property tax, local option sales taxes, road use taxes, and state and federal grants finance most of these activities.
- Business-type activities include garbage pickup (solid waste) and the City's Cemetery. These activities are financed primarily by user charges.

The Government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond requirements. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the Lake Project Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the state for housing rehabilitation for low and moderate income families). The City's two kinds of funds are:

- *Governmental funds* account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.

The City maintains 32 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of

revenues, expenditures, and changes in fund balance for the General Fund, Road Use Tax Fund, Debt Service Fund, Special Assessment Fund, Wild Rose Allocation Fund and Community Center Street Fund, all of which are considered to be major funds. Data from the other 26 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements located in the supplementary information section of this report.

The basic Governmental Fund Financial Statements can be found on pages 16-18 of this report.

- Proprietary funds account for the City's Enterprise Funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.
- The basic Proprietary Fund Financial Statements can be found on pages 19-21 of this report.

Government-Wide Financial Analysis

Net Position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the change in the net position for governmental and business-type activities. This does not include the component units of gas, water and sanitation.

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 5,892,707	5,511,019	658,761	599,822	6,551,468	6,110,841
Capital assets	10,412,777	10,071,495	99,638	130,304	10,512,415	10,201,799
Total assets	16,305,484	15,582,514	758,399	730,126	17,063,883	16,312,640
Liabilities:						
Long-term debt	2,985,828	3,519,621	-	-	2,985,828	3,519,621
Other liabilities	2,066,243	1,818,974	17,021	27,662	2,083,264	1,846,636
Total liabilities	5,052,071	5,338,595	17,021	27,662	5,069,092	5,366,257
Net position:						
Net Investment in capital assets	7,426,949	6,574,399	99,638	130,304	7,526,587	6,704,703
Restricted	1,966,477	1,690,149	-	-	1,966,477	1,690,149
Unrestricted	1,859,987	1,979,371	641,740	572,160	2,501,727	2,551,531
Total net position	\$ 11,253,413	10,243,919	741,378	702,464	11,994,791	10,946,383

Net position of governmental activities increased from June 30, 2012 by \$1,009,494 or 9.58%. This increase was due primarily to the continued strength of the property tax base and casino revenues

received by the City. Net position of business-type activities increased from June 30, 2012 by \$38,914 or 6.80%. This increase was due to solid waste revenues received by the City. The City's net position is primarily invested in cash and capital assets, less related debt. By definition, restricted net position represents resources that are subject to external restrictions, bond covenants, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, is \$2,501,727 at the end of the year.

For the year ended June 30, 2013 and 2012, net position changed as follows:

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues						
Charges for services	\$ 118,374	132,463	474,768	471,168	593,142	603,631
Operating grants and contributions	457,214	377,317	-	-	457,214	377,317
Capital grants and contributions	161,302	499,024	-	-	161,302	499,024
General Revenues						
Property taxes and assessments	1,547,187	1,876,173	-	-	1,547,187	1,876,173
TIF revenues	209,670	251,356	-	-	209,670	251,356
Other City taxes	520,050	464,475	-	-	520,050	464,475
Use of money and property	40,736	53,338	1,242	1,462	41,978	54,800
Miscellaneous	1,045,191	756,216	-	5,890	1,045,191	762,106
Gain on disposal of capital assets	4,500	5,000	-	-	4,500	5,000
Total revenues	<u>4,104,224</u>	<u>4,415,362</u>	<u>476,010</u>	<u>478,520</u>	<u>4,580,234</u>	<u>4,893,882</u>
Expenses						
Public safety	615,173	628,181	-	-	615,173	628,181
Public works	1,048,976	1,024,693	-	-	1,048,976	1,024,693
Culture and recreation	537,891	668,193	-	-	537,891	668,193
Community and economic development	199,489	162,813	-	-	199,489	162,813
General government	366,003	379,905	-	-	366,003	379,905
Debt service	98,091	116,774	-	-	98,091	116,774
Capital outlay not included in assets	316,382	380,950	-	-	316,382	380,950
Solid waste	-	-	416,864	409,459	416,864	409,459
Cemetery	-	-	30,531	34,969	30,531	34,969
Total expenses	<u>3,182,005</u>	<u>3,361,509</u>	<u>447,395</u>	<u>444,428</u>	<u>3,629,400</u>	<u>3,805,937</u>
Increase (decrease) in net position before transfers	922,219	1,053,853	28,615	34,092	950,834	1,087,945
Transfers	87,276	84,439	10,299	11,000	97,575	95,439
Increase (decrease) in net position	<u>1,009,495</u>	<u>1,138,292</u>	<u>38,914</u>	<u>45,092</u>	<u>1,048,409</u>	<u>1,183,384</u>
Net position, beginning	10,243,919	9,105,627	702,464	657,372	10,946,383	9,762,999
Net position, ending	<u>\$ 11,253,414</u>	<u>10,243,919</u>	<u>741,378</u>	<u>702,464</u>	<u>11,994,792</u>	<u>10,946,383</u>

The decrease in property taxes and assessments of \$328,986, was primarily due to new special assessments in the prior year. The increase in miscellaneous income of \$288,975 was primarily due to a \$200,000 land donation for the new campground.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,620,615. \$96,593 is nonspendable for perpetual cemetery care and inventory. \$1,921,289 is restricted for road use, Wild Rose allocation, Community Center, Dredging Five Island Lake, debt service and other non-major governmental funds. \$519,023 is committed for economic development, hotel motel tax, local option sales tax, community beautification and other donations. \$659,275 is assigned for funds to cover revenue short-falls, capital improvements revolving funds and various set-aside funds. This leaves an unreserved balance of \$424,435.

The governmental fund balance increased by \$221,204 or 5.51%. The increase was due in part because expenditures were down considerably from 2012. The significant decrease in expenses was in the Monroe Street Fund for street construction of \$1,380,783.

The General Fund is the chief operating fund of the City of Emmetsburg. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$421,358. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures. Unassigned fund balance represents 21.98% of the total General Fund expenditures, while the total fund balance represents 42.92% of that same amount.

The following fund balances in the other major funds, which comprise the Total Governmental Funds, are listed below:

	FY13 Amount	FY12 Amount	Increase (Decrease)
General Fund	\$ 822,839	776,717	46,122
Road Use Tax Fund	337,599	176,106	161,493
Debt Service Fund	329,530	278,664	50,866
Special Assessments Fund	58,215	1,215	57,000
Wild Rose Allocation Fund	255,874	504,160	(248,286)
Community Center Fund	378,903	303,514	75,389
Other Governmental Funds	1,437,655	1,359,035	78,620

The Road Use Tax Fund had the largest increase in fund balance for the major funds. This increase was due to funds transferred into the Road Use Tax Fund for projects that have not been done yet.

The largest decrease in fund balance for the major funds occurred in the Wild Rose Allocation Fund. This was due to transfers out for qualifying expenditures during the fiscal year ended June 30, 2013.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended June 30, 2013 and June 30, 2012:

Revenues	FY13 Amount	Percent of Total	FY12 Amount	Increase (Decrease) from FY12	Percent of Increase (Decrease)
Property taxes and assessments	\$ 1,476,668	35.40%	\$ 1,463,704	\$ 12,964	101.10%
Tax increment financing	209,670	5.00%	251,356	(41,686)	-325.00%
Other city tax	187,857	4.50%	187,586	271	2.10%
Licenses and permits	5,700	0.10%	16,640	(10,940)	-85.30%
Use of money and property	40,736	1.00%	53,338	(12,602)	-98.30%
Intergovernmental	1,002,777	24.00%	1,228,170	(225,393)	-1757.50%
Charges for services	118,374	2.80%	132,463	(14,089)	-109.90%
Special assessments	89,899	2.20%	85,511	4,388	34.20%
Miscellaneous, including fines	1,039,491	24.90%	739,579	299,912	2338.60%
	<u>\$ 4,171,172</u>	<u>100.00%</u>	<u>\$ 4,158,347</u>	<u>\$ 12,825</u>	<u>100.00%</u>

The most significant increase in revenues was miscellaneous, including fines. The increase was primarily due to the receipt of a donation of \$200,000 for the new campground.

The most significant decrease in revenues was in intergovernmental. The decrease was primarily due to \$187,481 less revenue received by the Runway Improvement Fund.

The following schedule presents a summary of governmental expenditures for the fiscal years ended June 30, 2013 and June 30, 2012.

Expenditures	FY13 Amount	Percent of Total	FY 12 Amount	Increase (Decrease) from FY12	Percent of Increase (Decrease)
Public safety	\$ 581,341	14.40%	\$ 630,120	\$ (48,779)	4.20%
Public works	714,777	17.70%	808,565	(93,788)	8.10%
Culture and recreation	490,815	12.10%	633,998	(143,183)	12.30%
Community and Economic Development	198,626	4.90%	161,950	36,676	-3.20%
General government	365,514	9.00%	375,332	(9,818)	0.80%
Debt Service	626,548	15.50%	498,647	127,901	-11.00%
Capital projects	1,069,623	26.40%	2,099,132	(1,029,509)	88.80%
	<u>\$ 4,047,244</u>	<u>100.00%</u>	<u>\$ 5,207,744</u>	<u>\$ (1,160,500)</u>	<u>100.00%</u>

The most significant increase in expenditures occurred in the Debt Service Fund. The increase was due to the debt service schedule that came due in FY 13. The significant decrease in expenses was in the Monroe Street Fund for street construction of \$1,380,783.

Proprietary Funds

City of Emmetsburg's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Solid Waste and Cemetery funds at the end of the year amounted to \$641,740. Total net position amounted to \$741,378.

These funds were established for the City operations that are financed and operated in a manner similar to private business enterprises. The cost of providing the services to the general public is recovered, in whole or in part, through user charges.

The City's enterprise operations are comprised of two separate and distinct activities: Solid Waste and the Cemetery funds. Results of operations for these funds for the year ended June 30, 2013 and June 30, 2012 are as follows:

	Solid Waste		Cemetery	
	2013	2012	2013	2012
Operating Revenues	\$ 452,658	456,578	22,110	20,480
Operating Expense	416,864	409,459	30,531	34,969
Non-Operating revenues	1,059	1,220	183	242
Operating transfers in	-	-	10,229	11,000
Changes in Net Position	36,853	48,339	2,061	(3,247)

Budgetary Highlights

Over the course of the year, the City Council revised the budget once. The budget amendment increased appropriations to cover unplanned expenditures/expenses and transfers. The budget amendment was on May 28, 2013. At the end of the year, the City did not exceed the amended budgeted amounts in any of its functions.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2013, the City had \$10,412,777 net of depreciation invested in capital assets including police and fire equipment, buildings, park facilities, and infrastructure. This does not include the Component Units that had \$10,650,709 invested in capital assets. Infrastructure prior to July 1, 2003 is not included in the financial statements unless it was considered as construction in progress on July 1, 2003.

A schedule of capital assets, net of depreciation, as of June 30, 2013 and 2012 is as follows.

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land and improvements	\$ 580,030	110,767	22,528	23,550	602,558	134,317
Machinery, equipment, and vehicles	1,077,548	1,134,537	14,439	41,933	1,091,987	1,176,470
Buildings	918,538	822,044	62,671	64,821	981,209	886,865
Infrastructure	7,707,641	7,936,189	-	-	7,707,641	7,936,189
Construction in process	129,020	67,958	-	-	129,020	67,958
\$	<u>10,412,777</u>	<u>10,071,495</u>	<u>99,638</u>	<u>130,304</u>	<u>10,512,415</u>	<u>10,201,799</u>

The major capital asset expended during the current fiscal year included the following:

- Five Island Campground land purchased \$414,545.

More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

Debt

At year-end, the City had \$2,950,811 in outstanding bonds and agreements compared to \$3,459,697 last year. That is a decrease of \$508,886, or 14.71%.

	Governmental activities	
	2013	2012
General obligation bonds	\$ 2,635,000	3,100,000
Tax increment financing agreement	22,846	56,045
Risk under loan guarantee	292,965	303,652
Total	<u>\$ 2,950,811</u>	<u>3,459,697</u>

State statutes limit the amount of general obligation debt a government entity may issue to 5% of its total assessed valuation. As of June 30, 2013, the City's legal additional debt margin was \$6,197,680.

More detailed information about the City's long-term debt is presented in Note 3C to the financial statements.

Economic Factors and Next Year's Budget and Rates

During the state legislative session in 2004, the legislature permanently eliminated certain state funding to local governments starting in the year ended June 30, 2005 and will continue in the future. This along with the continuation of the state rollback on residential properties greatly affects the City's general operating fund.

The City has been helped by the Hotel/Motel tax and the PA Gaming Corporation allocations made annually to the City that can be used for capital improvements. However, the PA Gaming Corporation allocations cannot be used for ongoing operating expenses or to fund operating deficits.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2014 are provided below:

General levy	\$	8.10
Liability, property & self insurance		0.78
Instrumental/vocal music levy		0.14
Emergency levy		0.27
Employee benefit levy		4.07
Debt service levy		0.46
Total	\$	<u>13.82</u>

The tax levy rate per \$1,000 of taxable valuation for Agricultural Land is \$3.00.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator's Office at 2021 Main, Emmetsburg, Iowa. You can also contact the City Administrator's Office for a separately issued report on the component units. That report is for the gas, water and sanitation departments known as "Emmetsburg Municipal Utilities".

John Bird
City Administrator

City of Emmetsburg, Iowa
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 3,418,750	598,281	4,017,031
Investments	2,352	-	2,352
Receivables, net of allowance for uncollectible amounts:			
Property taxes	1,545,926	-	1,545,926
Tax increment financing	198,901	-	198,901
Special assessments	226,744	-	226,744
Accounts and other	33,943	68	34,011
Current portion of notes receivable	-	-	-
Current portion of primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Due from primary government	-	-	-
Due from component unit	261,322	36,094	297,416
Due from other governments	180,126	-	180,126
Inventories	24,643	13,136	37,779
Prepays and other assets	-	11,182	11,182
Restricted assets:			
Cash	-	-	-
Notes receivable	-	-	-
Due from primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Loan fees (net of \$15,965) amortization)	-	-	-
Capital assets:			
Land, land improvements and construction in progress	709,049	29,574	738,623
Other capital assets, net of accumulated depreciation	9,703,728	70,064	9,773,792
Total assets	<u>16,305,484</u>	<u>758,399</u>	<u>17,063,883</u>
LIABILITIES			
Accounts payable	223,069	11,062	234,131
Accrued liabilities	25,762	2,981	28,743
Deferred revenue	-	-	-
Interest payable on bonds and other long-term debt	17,613	-	17,613
Due to primary government	-	-	-
Due to component unit	-	-	-
Customer deposits	-	-	-
Compensated absences	53,343	2,978	56,321
Long-term liabilities:			
Succeeding year unearned revenue	1,728,153	-	1,728,153
Due to component unit - Urban Renewal Tax Increment Revenue Bond	18,303	-	18,303
Portion due or payable within one year:			
Bonds and other payables	491,541	-	491,541
Portion due or payable after one year:			
Bonds and other payables	2,494,287	-	2,494,287
Total liabilities	<u>5,052,071</u>	<u>17,021</u>	<u>5,069,092</u>
NET POSITION			
Net Investment in capital assets	7,426,949	99,638	7,526,587
Restricted:			
Expendable for:			
Capital improvements	1,183,896	-	1,183,896
TIF	13,115	-	13,115
State and grant purposes	355,937	-	355,937
Donor restrictions	12,049	-	12,049
Debt service	329,530	-	329,530
Nonexpendable for:			
Perpetual care	71,950	-	71,950
Unrestricted	1,859,987	641,740	2,501,727
Total net position	<u>\$ 11,253,413</u>	<u>741,378</u>	<u>11,994,791</u>

See notes to financial statements

Gas Utility	Component Units	
	Water Utility	Sanitation Utility
4,565,068	737,825	289,843
-	-	-
7,145	91,529	68,945
-	-	-
-	-	-
-	-	-
4,607	9,302	6,943
5,973	-	-
1,322	1,542	1,542
-	-	-
-	-	-
-	-	-
7,251	18,563	22,148
62,337	13,675	-
46,000	-	-
4,169	4,864	4,864
-	21,125	13,310
1,039	78,250	84,542
588,618	4,429,532	5,468,728
5,293,529	5,406,207	5,960,865
56,606	38,464	20,023
4,433	-	-
-	-	-
9,325	4,915	3,335
54,094	121,661	121,661
-	-	-
62,337	13,675	-
3,281	6,490	2,819
-	-	-
-	-	-
6,541	126,000	94,000
286,415	1,840,000	1,240,000
483,032	2,151,205	1,481,838
296,701	2,541,782	4,219,270
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
4,513,796	713,220	259,757
4,810,497	3,255,002	4,479,027

City of Emmetsburg, Iowa
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Public safety	\$ 615,173	13,808	16,495	-
Public works	1,048,976	-	405,841	1,472
Culture and recreation	537,891	103,111	34,878	75,000
Community and economic development	199,489	1,455		84,830
General government	366,003	-		-
Interest on long-term debt and related fees	98,091	-		-
Capital outlay not included in capital assets	316,382	-	-	-
Total governmental activities	<u>3,182,006</u>	<u>118,374</u>	<u>457,214</u>	<u>161,302</u>
Business-type activities:				
Solid Waste	416,864	452,113	-	-
Cemetery	30,531	16,290	-	-
Total business-type activities	<u>447,395</u>	<u>468,403</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,629,401</u>	<u>586,777</u>	<u>457,214</u>	<u>161,302</u>
Component units				
Gas Utility	\$ 1,334,438	1,635,214	-	-
Water Utility	669,523	610,557	-	-
Sanitation Utility	681,689	642,359	-	-
Total component units	<u>\$ 2,685,650</u>	<u>2,888,130</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes and assessments				
Tax increment financing				
Local option sales tax				
Hotel/motel taxes				
Use of money and property				
Miscellaneous				
Gain on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

Note to statement of activities:

The City is dredging Five Island Lake that belongs to the State of Iowa. The City budgets the expenditure as a capital outlay; however, the City does not include the cost of the dredging in its capital assets, because it doesn't own the lake and most of the lake is outside the City limits. Therefore, capital outlay is shown as an expenditure on this statement.

The City owns the assets used for the dredging project and those assets are recorded in capital assets on the Statement of Net Assets.

The City also budgets in capital projects assets for nonprofits that the City does not own.

The City also budgets in capital projects non capital assets.

See notes to financial statements

Net (Expense) Revenue and Changes in Net Assets					
Governmental Activities	Primary Government		Component Units		
	Business-type Activities	Total	Gas Utility	Water Utility	Sanitation Utility
(584,870)	-	(584,870)	-	-	-
(641,663)	-	(641,663)	-	-	-
(324,902)	-	(324,902)	-	-	-
(113,204)	-	(113,204)	-	-	-
(366,003)	-	(366,003)	-	-	-
(98,091)	-	(98,091)	-	-	-
(316,382)	-	(316,382)	-	-	-
(2,445,116)	-	(2,445,116)	-	-	-
-	35,249	35,249	-	-	-
-	(14,241)	(14,241)	-	-	-
-	21,008	21,008	-	-	-
(2,445,116)	21,008	(2,424,108)	-	-	-
-	-	-	300,776	-	-
-	-	-	-	(58,966)	-
-	-	-	-	-	(39,330)
-	-	-	300,776	(58,966)	(39,330)
\$ 1,547,187	-	1,547,187	-	-	-
209,670	-	209,670	-	-	-
394,124	-	394,124	-	-	-
125,926	-	125,926	-	-	-
40,736	1,242	41,978	10,117	2,697	1,325
1,045,191	6,365	1,051,556	-	-	-
4,500	-	4,500	-	-	-
87,276	10,299	97,575	(73,901)	(10,769)	(10,769)
3,454,610	17,906	3,472,516	(63,784)	(8,072)	(9,444)
1,009,494	38,914	1,048,408	236,992	(67,038)	(48,774)
10,243,919	702,464	10,946,383	4,377,457	3,437,537	4,584,601
\$ 11,253,413	741,378	11,994,791	4,614,449	3,370,499	4,535,827

City of Emmetsburg, Iowa
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Special Revenue Road Use Tax Fund	Debt Service Fund	Special Assessment Fund
ASSETS				
Cash	\$ 909,599	371,809	85,436	56,576
Investments	-	-	-	-
Receivables, net of allowance for uncollectible amounts:				
Property taxes	1,007,528	-	54,652	-
Tax increment financing	-	-	-	-
Special assessments	-	-	-	226,744
Accounts	10,686	-	-	-
Other	159	-	-	-
Due from other funds	6,366	-	-	-
Due from Component Unit	-	-	243,322	-
Due from other governments	33,447	31,971	-	1,639
Inventories	24,643	-	-	-
Total assets	<u>\$ 1,992,428</u>	<u>403,780</u>	<u>383,410</u>	<u>284,959</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and contracts payable	\$ 113,002	45,963	-	-
Accrued liabilities	21,840	3,923	-	-
Deferred revenue	997,699	-	53,880	226,744
Compensated absences - current	37,048	16,295	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>1,169,589</u>	<u>66,181</u>	<u>53,880</u>	<u>226,744</u>
FUND BALANCES				
Nonspendable	24,643	-	-	-
Restricted	-	337,599	329,530	58,215
Committed	157,400	-	-	-
Assigned	219,438	-	-	-
Unassigned	421,358	-	-	-
Total fund balances	<u>822,839</u>	<u>337,599</u>	<u>329,530</u>	<u>58,215</u>
Total liabilities and fund balances	<u>\$ 1,992,428</u>	<u>403,780</u>	<u>383,410</u>	<u>284,959</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$3,995,371.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Long-term special assessments receivable are not considered available to pay for current period's expenditures and reported as deferred revenues in the funds.

Accrued interest payable, is not due and payable in the current period and, therefore, is not reported in the funds.

Urban Renewal Tax Increment Revenue Bond payable to Emmetsburg Municipal Utilities is not reported in the fund statements.

Bonds payable and contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds, net of unamortized (premium) and discount of \$(35,017).

Net position of governmental activities

See notes to financial statements

Capital Projects			
Wild Rose Allocation Fund	Community Center Fund	Other Governmental Funds	Total Governmental Funds
249,974	375,099	1,370,257	3,418,750
-	-	2,352	2,352
-	-	483,746	1,545,926
-	-	198,901	198,901
-	-	-	226,744
5,900	-	-	16,586
-	-	17,198	17,357
-	-	-	6,366
-	18,000	-	261,322
-	-	98,047	165,104
-	-	-	24,643
<u>255,874</u>	<u>393,099</u>	<u>2,170,501</u>	<u>5,884,051</u>
-	14,196	49,908	223,069
-	-	-	25,763
-	-	676,572	1,954,895
-	-	-	53,343
-	-	6,366	6,366
-	<u>14,196</u>	<u>732,846</u>	<u>2,263,436</u>
-	-	71,950	96,593
255,874	378,903	561,168	1,921,289
-	-	361,623	519,023
-	-	439,837	659,275
-	-	3,077	424,435
<u>255,874</u>	<u>378,903</u>	<u>1,437,655</u>	<u>3,620,615</u>
<u>255,874</u>	<u>393,099</u>	<u>2,170,501</u>	
			10,412,777
			15,022
			226,744
			(17,613)
			(18,303)
			(2,985,828)
			<u>\$ 11,253,414</u>

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

		Special Revenue	Debt Service	
	General Fund	Road Use Tax Fund	Debt Service Fund	Special Assessment Fund
Revenues:				
Property taxes and assessments	\$ 947,774	-	75,795	-
Tax increment financing	-	-	-	-
Other city taxes	176,321	-	1,576	-
Licenses and permits	5,700	-	-	-
Use of money and property	34,045	-	222	101
Intergovernmental	44,408	405,841	-	-
Charges for services	116,919	-	-	-
Special Assessments	-	-	-	89,899
Fines and forfeitures	8,673	-	-	-
Miscellaneous	166,241	-	22,866	-
Total revenues	1,500,081	405,841	100,459	90,000
Expenditures:				
Current:				
Public safety	580,841	-	-	-
Public works	318,773	396,004	-	-
Culture and recreation	478,704	-	-	-
Community and economic development	173,178	-	-	-
General government	365,514	-	-	-
Debt service	-	-	626,548	-
Capital projects	-	-	-	-
Total expenditures	1,917,010	396,004	626,548	-
Excess (deficiency) of revenues over (under) expenditures	(416,929)	9,837	(526,089)	90,000
Other financing sources (uses):				
Transfers in	575,728	151,656	566,955	-
Transfers out	(112,677)	-	-	(33,000)
Proceeds from refunding bonds	-	-	310,000	-
Debt service-principal	-	-	(300,000)	-
Total other financing sources (uses)	463,051	151,656	576,955	(33,000)
Net change in fund balances	46,122	161,493	50,866	57,000
Fund balances, beginning	776,717	176,106	278,664	1,215
Fund balances, ending	\$ 822,839	337,599	329,530	58,215

See notes to financial statements

Capital Projects			
Wild Rose Allocation Fund	Community Center Fund	Other Governmental Funds	Total Governmental Funds
-	-	453,099	1,476,668
-	-	209,670	209,670
-	-	9,960	187,857
-	-	-	5,700
646	578	5,144	40,736
-	-	552,528	1,002,777
-	-	1,455	118,374
-	-	-	89,899
-	-	-	8,673
157,745	51,070	632,896	1,030,818
158,391	51,648	1,864,752	4,171,172
-	-	500	581,341
-	-	-	714,777
-	-	12,111	490,815
-	-	25,448	198,626
-	-	-	365,514
-	-	-	626,548
-	190,291	879,332	1,069,623
-	190,291	917,391	4,047,244
158,391	(138,643)	947,361	123,928
-	214,032	619,510	2,127,881
(406,677)	-	(1,488,251)	(2,040,605)
-	-	-	310,000
-	-	-	(300,000)
(406,677)	214,032	(868,741)	97,276
(248,286)	75,389	78,620	221,204
504,160	303,514	1,359,035	3,399,411
255,874	378,903	1,437,655	3,620,615

City of Emmetsburg, Iowa
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balances - total governmental	\$ 221,204
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while Governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Net acquisition of capital assets	813,885
Depreciation expense	(477,103)

The net effect of trade-ins, increase of net assets:

Gain on trade in of capital assets	4,500
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Because some revenues will not be collected for several months after the City's year end, they are not considered available revenue and are deferred in the governmental funds, as follows:

Local option sales tax	9,863
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

General obligation refunding bonds issued	(310,000)
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The change in long-term special assessments receivable is shown as deferred revenue in the funds and revenue in the government- wide statements

(81,312)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position

Repaid-Bonds, tax increment and guaranteed loans	818,886
Component Unit-Urban Renewal bonds paid	4,220
Accrued interest	2,969
Amortization of premium on refunding notes	6,360
Amortization of discount on general obligation bonds	(3,978)

Change in net position of governmental activates	\$ <u>1,009,494</u>
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See notes to financial statements

City of Emmetsburg, Iowa
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
ASSETS			
Current assets:			
Cash	\$ 567,450	30,831	598,281
Other receivables	-	68	68
Inventories	13,136	-	13,136
Prepaid insurance	9,908	1,274	11,182
Due from component unit	36,094	-	36,094
Total current assets	<u>626,588</u>	<u>32,173</u>	<u>658,761</u>
Capital assets:			
Land and improvements	-	29,574	29,574
Buildings	28,509	52,882	81,391
Equipment and vehicles	243,921	7,034	250,955
Accumulated depreciation	(240,535)	(21,747)	(262,282)
Total capital assets	<u>31,895</u>	<u>67,743</u>	<u>99,638</u>
Total assets	<u>658,483</u>	<u>99,916</u>	<u>758,399</u>
LIABILITIES			
Current liabilities:			
Accounts payable	7,350	3,712	11,062
Other payables	2,947	34	2,981
Compensated absences - due within one year	2,978	-	2,978
Total current liabilities	<u>13,275</u>	<u>3,746</u>	<u>17,021</u>
NET POSITION			
Net Investment in capital assets	31,895	67,743	99,638
Unrestricted	613,313	28,427	641,740
Total net position	<u>\$ 645,208</u>	<u>96,170</u>	<u>741,378</u>

See notes to financial statements

City of Emmetsburg, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
Operating revenues:			
Charges for services	\$ 452,113	16,290	468,403
Other	545	5,820	6,365
Total operating revenues	<u>452,658</u>	<u>22,110</u>	<u>474,768</u>
Operating expenses:			
Personal services	174,742	2,046	176,788
Contractual services	178,088	21,870	199,958
Supplies and equipment	35,697	4,286	39,983
Depreciation	28,337	2,329	30,666
Total operating expenses	<u>416,864</u>	<u>30,531</u>	<u>447,395</u>
Operating income (loss)	<u>35,794</u>	<u>(8,421)</u>	<u>27,373</u>
Nonoperating revenues (expenses):			
Interest revenue	1,059	183	1,242
Total nonoperating revenues (expenses)	<u>1,059</u>	<u>183</u>	<u>1,242</u>
Income (loss) before transfers	<u>36,853</u>	<u>(8,238)</u>	<u>28,615</u>
Transfers in	<u>-</u>	<u>10,299</u>	<u>10,299</u>
Change in net position	36,853	2,061	38,914
Net position, beginning	608,355	94,109	702,464
Net position, ending	<u>\$ 645,208</u>	<u>96,170</u>	<u>741,378</u>

See notes to financial statements

City of Emmetsburg, Iowa
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 455,736	22,104	477,840
Payments to suppliers	(226,181)	(24,376)	(250,557)
Payments to employees	(180,321)	(2,046)	(182,367)
Net cash provided by (used in) operating activities	49,234	(4,318)	44,916
Transfers from other funds	-	10,299	10,299
Net cash provided by (used in) noncapital financing activities	-	10,299	10,299
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	1,059	183	1,242
Net increase (decrease) in cash	50,293	6,164	56,457
CASH BALANCES, Beginning	517,157	24,667	541,824
CASH BALANCES, Ending	\$ 567,450	30,831	598,281
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 35,794	(8,421)	27,373
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	28,337	2,329	30,666
Change in assets and liabilities:			
(Increase) decrease in:			
Customer and other receivables	3,078	(6)	3,072
Inventories	(5,460)	-	(5,460)
Prepaid insurance	(1,278)	(1,274)	(2,552)
Due from component unit	2,458	-	2,458
Increase (decrease) in accounts payable, accrued and other liabilities	(13,695)	3,054	(10,641)
Net cash provided by operating activities	\$ 49,234	(4,318)	44,916

See notes to financial statements

**CITY OF EMMETSBURG, IOWA
NOTES TO FINANCIAL STATEMENTS
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 - F. Violation of State Law
 - G. Governmental Accounting Standards Board Statements

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Emmetsburg is a municipal corporation governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. The discretely presented gas, water, and sanitation utilities each have a June 30 year end.

Discretely Presented Component Units. The gas, water, and sanitation utilities serve all the citizens of the City and are governed by a five-member board appointed by the mayor of the City of Emmetsburg. The rates for user charges and bond issuance authorizations are approved by the City Council, and the legal liability for the general obligation portion of the Utilities' debt remains with the City.

Complete financial statements for the Utilities may be obtained at the administrative offices.

Emmetsburg Municipal Utilities
2021 Main Street
Emmetsburg, Iowa 50536

Jointly Governed Organizations. The City also participates in two jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. The Mayor and Police Chief are members of the Palo Alto County Joint E911 Service Board. The City also participates with Iowa Lakes Community College in the operation of the community library and wellness center. The City has recorded its share of the expense in the governmental fund. The community wellness center and library is an asset of the College and its audit is included in the college audit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain separate component units for which the primary government is financially accountable.

The statement of net position presents the assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest, fines and forfeitures, and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the

City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met, and the criteria for accrual have been met.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *road use tax fund* accounts for state revenues allocated to the City to be used to maintain and improve the City's streets.

Debt service fund accounts for the servicing of general long-term debt not being financed by proprietary funds.

Special assessment funds accounts for the collection of special assessments and, when applicable, the servicing of special assessment debt.

The *Wild Rose allocation fund* accounts for allocations from Wild Rose Emmetsburg, L.L.C. from casino operations. The proceeds are used for capital projects.

The *community center fund* accounts for fund accumulated and the cost to build a new community center.

The City reports the following major proprietary funds:

The *solid waste fund* accounts for the City garbage collection.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments between the government's component units. Elimination of the charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, use of money and property and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the solid waste fund and cemetery funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City and the Utility to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. Investments of the City and Utility are reported at fair value. Due to legal and budgetary reasons, the General Fund is assigned a portion of the investment earnings associated with the Road Use Tax Fund. The Cemetery Fund is assigned the investment earnings associated with the Cemetery Perpetual Care Fund. Due to budgetary and policy reasons the General Fund is assigned a portion of the investment earnings associated with the Employee Benefit Fund, Capital Improvements Revolving Fund and the Lake Project Fund. The City transfers the interest from the General Fund to the Lake Project Fund in the form of a transfer.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City uses the direct write off method that does not materially differ from generally accepted accounting principles.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2013, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2012 and March 31, 2013. On July 1, 2012 the taxes were levied by the County and became an enforceable lien against property. Any County collections on the 2012-2013 tax levy remitted to the City within sixty days subsequent to June 30, 2013, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2013, are delinquent but have not been recorded as receivables and deferred revenue due to their immateriality.

By statute, the City is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal

year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

3. Inventories and Prepaid Items

Inventories in the governmental fund types are valued at cost using the first-in/first-out method. The costs of governmental fund type inventories (materials and supplies) are recognized as expenditures when consumed (actually used).

Inventories in the proprietary fund types are valued at the lower of first-in/first-out cost or market. The cost of proprietary fund type inventories are recognized as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are defined by the government as equipment with initial individual cost of \$1,000 or greater or a purchase of land, land improvements, building, or infrastructure with a value of \$5,000 or greater and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City did not maintain a capital assets record prior to the adoption of GASB 34. The City estimated the cost of buildings, equipment, vehicles and accumulated depreciation based on approximate date of purchase. Land related to parks, airport etc. has not been estimated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Machinery and equipment	5-15 years
Vehicles	5-10 years
Improvements	15-20 years
Infrastructure	25-40 years
Buildings	20-50 years

5. *Compensated Absences*

City employees accumulate vacation and comp-time hours for subsequent use or for payment upon termination, death, or retirement. Earned vacation pay may be paid upon termination of employment. The liability for compensated absences is recorded as current in the government-wide statements since historical trends indicate none are long-term. The compensated absence liability has been computed based on rates of pay in effect on June 30, 2013.

6. *Long-term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

- Unassigned fund balance – amounts not included in other spendable classifications reported.

The City would typically use restricted fund balances first, followed by committed resources, and the Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

As of June 30, 2013, fund balances are composed of the following:

<u>Fund Balance</u> <u>Classification</u>	<u>Purpose</u>	<u>Fund</u>	<u>Amount</u>
Nonspendable	Inventory	General	\$ 24,643
	Cemetery perpetual care	Non-major Governmental	71,950
			<u>\$ 96,593</u>
Restricted	Road Use Tax	Road Use Tax	\$ 337,599
	Wild Rose (casino) allocation	Wild Rose allocation	255,874
	Street reconstruction	Community Center	378,903
	Debt service	Debt Service	329,530
	Special assessments	Special Assessments	58,215
	Employee Benefit payments	Non-major Governmental	18,338
	Tax increment financing	Non-major Governmental	13,115
	School reunion	Non-major Governmental	1,345
	Make a difference day	Non-major Governmental	34
	Fireworks	Non-major Governmental	10,670
	Downtown façade	Non-major Governmental	74,729
	Five Island Campground	Non-major Governmental	74,252
	Safe routes to school	Non-major Governmental	50
	Housing rehabilitation	Non-major Governmental	25,618
	Gaming proceeds for capital improvements	Non-major Governmental	209,045
	Sewer improvements	Non-major Governmental	17,251
	Airport improvements	Non-major Governmental	65,651
	Dredging Five Island Lake	Non-major Governmental	51,104
			<u>\$ 1,921,323</u>

Committed	Economic development	General	\$ 33,965
	Hotel Motel Tax	General	74,131
	Health Reimbursement Arrangement	General	49,304
	Local Option Sales Tax	Non-major Governmental	308,009
	Holiday decorations	Non-major Governmental	3,702
	Lake donations	Non-major Governmental	6,191
	Library	Non-major Governmental	23,402
	Playgrounds	Non-major Governmental	1,099
	Economic and community expenditures	Non-major Governmental	14
	Revolving loan fund	Non-major Governmental	17,166
	Community beautification	Non-major Governmental	2,040
			<u>\$ 519,023</u>
Assigned	Funds to cover revenue short-falls	General	\$ 200,000
	Vehicle inspection	General	3,044
	Police reserve	General	10,449
	Tobacco compliance	General	2,115
	Museum-Victorian house	General	3,640
	Airport	General	190
	Industriail Development	Non-major Governmental	3,340
	Community transporation and miscellaneous	Non-major Governmental	1,819
	Swimming pool	Non-major Governmental	62
	Flag football	Non-major Governmental	85
	Golf course	Non-major Governmental	1,721
	Capital improvements revolving funds	Non-major Governmental	279,177
	Future Railroad projects	Non-major Governmental	27,874
	Kearny Park improvements	Non-major Governmental	64,509
	Sewell Park	Non-major Governmental	61,250
			<u>\$ 659,275</u>

Funds to cover revenue short-falls are assigned by resolution to cover the City revenue during periods it does not receive property taxes. Property taxes are primarily received in the spring and in the fall.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary information

The City prepares and adopts an annual budget on a function basis for the City as a whole, rather than at the fund level, as prescribed by Iowa statutes. The State of Iowa mandates that annual budgets for the fiscal year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. The review and adoption of the budget for the City is in accordance with state laws and City budget procedures as stated in City Code, recodified November 1971, and amended by ordinance adoption thereafter. Budget proposals for all operating department requests are conducted by the Finance Officer who prepares, for the Council's consideration, a preliminary budget during the month of February of each year for the coming fiscal year. The budget proposal presented to the City Council by the Mayor and City Clerk is a complete financial plan for the upcoming fiscal year. The City Council holds various budget meetings with the Mayor, Finance Officer, City Clerk, department heads, and boards and commissions, as well as holding a public hearing prior to adopting the

budget. The Council adopts the budget by resolution and certifies it to the County Auditor by the 15th of March preceding the beginning of the fiscal year. This budget becomes the appropriation for operations of the City.

The adopted budget presents expenditures in eight functions - Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level. Appropriations as adopted lapse at the end of the fiscal year.

Amendments to the City budget are considered annually as funding sources are available. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. An additional levy of property taxes is not allowed, by state law. The City budget for the current year may be amended for any of the following purposes:

- To permit the appropriation and expenditure of unexpended, unencumbered fund balances on hand at the end of the preceding fiscal year.
- To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- To permit transfers between funds as prescribed by state law.
- To permit transfers between functions.

The City Council adopts the amended budget by resolution and certifies it to the County Auditor by May 31 of the budget year. The amended budget becomes the appropriation for operations of the City. The City Council adopted one budget amendment resolution during the year ended June 30, 2013.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Due to the emphasis placed on monitoring budgets, as a result of limited resources to provide City services, major classifications such as personal services, capital outlays, contractual services, and commodities are monitored throughout the year by the Finance Director.

Monthly reports are prepared by department and activity. Any major deviations must be approved by the City Council. While the legal level of control is the program level of expenditure, departments are responsible for not expending more than the amount of the appropriation for each activity within their area of responsibility, unless approved by the City Council.

The City budgets all revenues, expenditures and expenses, and interfund and intrafund transfers on the modified accrual basis. The budget amounts included in this report are the final modified accrual basis budget for the year for all funds. Budgeted interfund transfers and intrafund transfers have been eliminated in the statement of budgetary comparison schedule of revenues, expenditures/expenses and changes in fund balances - budget and actual.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the General Fund and most of the special revenue funds, unexpended budgeted amounts lapse at the end of the budget year.

Note 3. Detailed Notes on All Funds

A. Deposits and investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City received as a donation insured registered corporate stock with a book value of \$2,041. No determination of the market value of this stock has been made; however, any market difference is not deemed material.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk: The City's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk: The City's investment policy does not allow investments in commercial paper and other corporate debt. The City did not invest in any commercial paper or other corporate debt during the year.

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances.

Business- type activities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Asset costs				
Land and land improvements	\$ 29,574	-	-	29,574
Machinery and equipment,				
Vehicles	250,955	-	-	250,955
Buildings	81,391	-	-	81,391
Total asset costs	<u>361,920</u>	<u>-</u>	<u>-</u>	<u>361,920</u>
Less accumulated depreciation				
Land and improvements	6,024	1,022	-	7,046
Machinery and equipment,				
Vehicles	209,022	27,494	-	236,516
Buildings	16,570	2,150	-	18,720
Total accumulated depreciation	<u>231,616</u>	<u>30,666</u>	<u>-</u>	<u>262,282</u>
Business- type assets, net	<u>\$ 130,304</u>	<u>(30,666)</u>	<u>-</u>	<u>99,638</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Public safety	\$ 40,332
Public works	334,199
Culture and recreation	92,737
Community and economic development	863
General government	8,972
Total depreciation expense - governmental activities	<u>\$ 477,103</u>

Business-type activities:

Solid Waste	\$ 28,337
Cemetery	2,329
Total depreciation expense - business-type activities	<u>\$ 30,666</u>

The following is included in construction in progress:

	Project Authorization	Expensed to Date	Remaining Commitment
CDBG sewer project placed on hold	\$ -	16,604	-
Crushed rock for future street project	-	40,879	-
Community center initial costs	-	32,434	-
Kearney Park	-	475	-
Airport layout new runway	-	28,197	-
Sewer mapping	3,887	3,512	375
Fire truck bay extension	64,201	4,419	59,782
Cemetery sidewalk project	102,000	2,500	99,500
	<u>\$ 170,088</u>	<u>129,020</u>	<u>159,657</u>

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City did not hold any investments during the year other than the donated shares discussed above.

The component units' deposits were entirely covered by Federal depository insurance and by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there is no loss of public funds.

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government

Governmental activities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Asset costs				
Land and land improvements	\$ 111,269	469,514	-	580,783
Machinery and equipment,				
Vehicles	3,233,647	138,055	-	3,371,702
Buildings	1,294,114	129,107	-	1,423,221
Infrastructure	8,882,775	20,647	-	8,903,422
Construction in progress	67,958	61,062	-	129,020
Total asset costs	<u>13,589,763</u>	<u>818,385</u>	<u>-</u>	<u>14,408,148</u>
Less accumulated depreciation				
Land and land improvements	502	251	-	753
Machinery and equipment,				
Vehicles	2,099,110	195,044	-	2,294,154
Buildings	472,070	32,613	-	504,683
Infrastructure	946,586	249,195	-	1,195,781
Total accumulated depreciation	<u>3,518,268</u>	<u>477,103</u>	<u>-</u>	<u>3,995,371</u>
Governmental activities, capital assets, net	<u>\$ 10,071,495</u>	<u>341,282</u>	<u>-</u>	<u>10,412,777</u>

Discretely Presented Component Units

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Gas department:				
Land	\$ 1,039	-	-	1,039
Structures and plant	340,715	1,382	-	342,097
Distribution system	1,135,609	-	-	1,135,609
Equipment, meters and mains	915,778	24,432	(339,280)	600,930
total asset costs	2,393,141	25,814	(339,280)	2,079,675
Less accumulated depreciation	(1,768,376)	(60,922)	339,280	(1,490,018)
Gas department assets, net	\$ 624,765	339,280	-	589,657
Water Department:				
Land	\$ 67,067	-	-	67,067
Structures and plant	4,976,173	1,381	(8,666)	4,968,888
Distribution system	1,859,086	-	(2,800)	1,856,286
Equipment, meters and mains	689,167	42,869	(76,473)	655,563
total asset costs	7,591,493	44,250	(87,939)	7,547,804
Less accumulated depreciation	(2,892,296)	(246,848)	87,939	(3,051,205)
	4,699,197	(202,598)	-	4,496,599
Construction in progress	75,078	11,183	(75,078)	11,183
Water department assets, net	\$ 4,774,275	(191,415)	(75,078)	4,507,782
Sanitation Department:				
Land	\$ 84,542	-	-	84,542
Structures and plant	6,085,494	1,380	(39)	6,086,835
Distribution system	2,869,215	-	-	2,869,215
Equipment, meters and mains	650,463	83,225	(257,567)	476,121
total asset costs	9,689,714	84,605	(257,606)	9,516,713
Less accumulated depreciation	(3,955,965)	(265,084)	257,606	(3,963,443)
Sanitation department assets, net	\$ 5,733,749	(180,479)	-	5,553,270

No detailed depreciation schedule or continuing property record is maintained. Consequently, it is impossible to use generally accepted accounting principles for retirements or abandonment of capital assets. Salaries paid for plant investment have been expensed at the time of payment. Vehicle expense and overhead related to construction is not capitalized. Under generally accepted accounting principles, salaries, vehicle expenses and overhead should be capitalized.

C. Long-term Debt

General Obligation Bonds

Unmatured general obligation bonds totaling \$2,985,828 net of unamortized premium, unamortized discount and unamortized deferred amount on refunding, are outstanding as of June 30, 2013. These bonds bear interest with rates ranging from .95% to 4.50%, mature in varying annual amounts through June 1, 2020; and were originally issued for \$3,540,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 485,000	64,315
2015	455,000	52,945
2016	335,000	43,175
2017	350,000	36,330
2018	265,000	28,480
2019-2021	745,000	40,865
Total	<u>\$ 2,635,000</u>	<u>266,110</u>

Tax Increment Financing Agreements

An Emmetsburg, Iowa Company has constructed public infrastructure located in the North Urban Renewal Area. In recognition of the companies obligation the City agreed to make payments on December 1 and June 1 of each fiscal year, beginning December 1, 2004, and continuing or nine additional fiscal years there after, or until the total principal of \$300,000 has been paid, whichever occurs first. Incremental property taxes are produced by multiplying the consolidated property tax levy times the incremental valuation of the property, then subtracting debt service levies of all taxing jurisdictions, subtracting the school district physical plant and equipment levy and subtracting any other levies, which may be exempt from such calculation by action of the Iowa General assembly. Future year's payment amounts are unknown. \$22,846 remains outstanding as of June 30, 2013.

Risk under loan guarantee

The City is obligated under a 50% loan liability guarantee related to the financing for the purchase of 58 acres of land for a business park by the Emmetsburg Community Development Corporation (ECDC). The guarantee is for 50% of a \$685,000 direct and indirect loan from USDA Rural Development and Iowa Trust and Savings Bank, including 50% of interest due on those loans. During the year ended June 30, 2010, ECDC was unable to service the debt and the City assumed \$316,347 of the loan, which was recorded as expense in the community and economic development program in the statement of activities. The Emmetsburg Community Development Corporation (ECDC) is still the primary obligor of the loans. There was no default by ECDC because the City and Emmetsburg Municipal Utilities made the loan payments under the loan guarantee agreement. The loans under the guarantee are as follows:

\$485,000 USDA Rural Development, due in annual payments of \$12,894 to November 7, 2040 and interest at 4.125%. The loan balance at June 30, 2013 totaled \$207,419.

\$200,000 Iowa Trust and Savings Bank, due in annual payments of \$7,977 to November 5, 2032 and variable interest at 6.75%. The loan balance at June 30, 2013 totaled \$85,536.

Annual debt service requirements to maturity for Risk under loan guarantee are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 6,541	14,330
2015	6,869	14,002
2016	7,214	13,657
2017	7,541	13,330
2018	7,958	12,913
2019-2023	46,258	58,095
2024-2028	59,456	44,897
2029-2033	74,442	27,657
2034-2038	52,833	11,637
2039-2041	23,843	1,476
Total	<u>\$ 292,955</u>	<u>211,994</u>

Future payments on these two loans, if any, made by ECDC will be recorded as income in the statement of activities.

As of June 30, 2013, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Estimated Actual valuation of taxable property with the City	<u>\$ 176,653,608</u>
Debt limit - 5% of total actual valuation	\$ 8,832,680
Debt applicable to debt limit:	
General obligation bonds	<u>2,635,000</u>
Legal debt margin	<u>\$ 6,197,680</u>

All tax-exempt debt issued by the City is subject to IRS arbitrage rebate unless the City meets the \$5 million small issuers exemption in a given year. As of June 30, 2013, the City had no arbitrage liability.

Debt Summary

Following is a summary of the City's debt transactions for the year ended June 30, 2013, and the total bonded indebtedness of the City as of that date.

	Date of Issue	Balance July 1, 2012	Incurred/ Issued	Redeemed/ Issued	Balance June 30, 2013
Governmental Activities:					
<u>General obligation bonds:</u>					
\$670,000 street improvement	2006	\$ 370,000	-	(370,000)	-
\$1,760,000 corporate purpose and refunding notes, series 2010	2010	1,260,000	-	(260,000)	1,000,000
\$1,470,000 corporate purpose bonds, series 2011	2011	1,470,000	-	(145,000)	1,325,000
\$310,000 general obligation refunding notes, series 2013	2013	-	310,000	-	310,000
		3,100,000	310,000	(775,000)	2,635,000
Add unamortized premium		50,344	-	(6,360)	43,984
Less unamortized discount		5,990	-	(1,218)	4,772
Less unamortized deferred amount on refunding		6,955	-	(2,760)	4,195
		<u>3,137,399</u>	<u>310,000</u>	<u>(777,382)</u>	<u>2,670,017</u>
<u>Tax increment financing:</u>					
Medium lake development	2003	56,045	-	(33,199)	22,846
<u>Risk under loan guarantee</u>					
USDA Rural Development	2010	216,148	-	(8,729)	207,419
Iowa Trust and Savings Bank	2010	87,504	-	(1,958)	85,546
		<u>303,652</u>	<u>-</u>	<u>(10,687)</u>	<u>292,965</u>
Governmental activity total					
Long - term debt		<u>\$ 3,497,096</u>	<u>310,000</u>	<u>(821,268)</u>	<u>2,985,828</u>

Component Unit Debt Information:

Revenue Bonds and Installment Agreements – Water and Sanitation Utility

The Series 1998A, 1998B, 2005 MC60R, 2005 and 2009A revenue bonds require annual principal payments, due December 1, and semi-annual interest payments, due June 1 and December 1. Interest rates throughout the term of the bonds are 3.00%. The bonds are secured by the future net revenues of the Utility.

Risk under loan guarantee – Gas Utility

The Utilities is also obligated under a 50% loan liability guarantee related to the financing for the purchase of 58 acres of land for a business park by the Emmetsburg Community Development Corporation ("ECDC"). The guarantee is for 50% of a \$685,000 direct and indirect loan from USDA Rural Development and Iowa Trust and Savings Bank, including 50% of interest due on those loans. During fiscal 2010, ECDC was unable to service the debt and the Utilities assumed 50% of the loan liabilities, which were recorded as a non-operating risk under loan guarantee expense of \$309,317. The Emmetsburg Community Development Corporation (ECDC) is still the primary obligor of the

loans. There was no default by ECDC because the City and Emmetsburg Municipal Utilities made the loan payments under the loan guarantee agreement.

Debt Summary – Gas, Water and Sanitation Utility

Long-term debt activity for the year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Incurred/ Issued	Redeemed/ Paid	Balance June 30, 2013
<u>Revenue bonds:</u>				
Water Utility:				
Series 2005	\$ 2,088,000	-	122,000	1,966,000
Sanitation Utility:				
Series 1998A	130,000	-	20,000	110,000
Series 1998B	72,000	-	10,000	62,000
Series 2005 MC60R	430,000	-	25,000	405,000
Series 2009A	790,000	-	33,000	757,000
Total revenue bonds	3,510,000	-	210,000	3,300,000
Gas Utility:				
<u>Risk under loan guarantee</u>				
USDA Rural Development	216,147	-	8,727	207,420
Iowa Trust and Savings Bank	87,505	-	1,969	85,536
Total long-term debt	\$ 3,813,652	-	220,696	3,592,956

The projected maturity of long-term debts at June 30, 2013 is as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 226,541	117,230	343,771
2015	231,869	106,402	338,271
2016	240,214	99,307	339,521
2017	252,541	91,990	344,531
2018	258,958	84,223	343,181
2019-2023	1,208,258	309,015	1,517,273
2024-2028	911,456	119,897	1,031,353
2029-2033	186,442	32,727	219,169
2034-2038	52,833	10,182	63,015
2039-2041	23,844	2,932	26,776
	\$ 3,592,956	973,905	4,566,861

D. Due to Component Unit

The City issued the Emmetsburg Municipal Utilities a \$40,000 Urban Renewal Tax Increment Revenue Bond dated October 11, 2006. Principal on this bond shall bear interest at the rate of 4% per annum. The bond is due in 20 equal semi-annual installments of \$2,508 each December 1 and June 1, commencing December 1, 2007. The bond matures on June 1, 2017. The June 30, 2013 balance is \$18,303.

The long-term debt due to Component Unit and due from Primary Government is as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 4,323	692
2015	4,498	517
2016	4,680	336
2017	4,802	146
	<u>\$ 18,303</u>	<u>1,691</u>

E. Interfund Transactions

The following transfers represent individual fund interfund transfers as stated in the Fund Financial Statements:

Transfer To	Transfer From	Amount
General Fund	Wild Rose Allocation Fund	\$ 23,424
	Nonmajor Governmental Funds	484,324
	Component Unit	67,980
		<u>575,728</u>
Road Use Tax Fund	Nonmajor Governmental Funds	<u>151,656</u>
Debt Service Fund	Nonmajor Governmental Funds	558,361
	Component Unit	8,594
		<u>566,955</u>
Community Center Fund	General Fund	18,745
	Nonmajor Governmental Funds	177,287
	Component Unit	18,000
		<u>214,032</u>
Nonmajor Governmental Funds	General Fund	93,932
	Wild Rose Allocation Fund	372,954
	Nonmajor Governmental Funds	149,624
	Component Unit	3,000
		<u>619,510</u>
	Total	<u>\$ 2,127,881</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move debt service payments from capital projects funds or special revenue funds to the debt service fund as debt service payments come due, (3) to move Interest receipts for the lake project fund for interest earned on its investments and deposited in the general fund by City policy, and (4) to move funds to and from various capital projects funds for the purchase or construction of new capital assets.

F. Interfund Balances

Individual interfund receivables and payable balances by fund type as of June 30, 2013 were stated in the fund financial statements as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 6,366	-
Nonmajor Governmental Funds	-	6,366
	<u>\$ 6,366</u>	<u>6,366</u>

The balances are due to the elimination of reporting negative cash.

Note 4. Other Notes

A. Retirement Systems

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members, other than police, are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.937% of annual covered payroll. Police are required to contribute 6.76% and the City is required to contribute 10.14% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$84,209, \$86,550 and \$76,800, respectively, equal to the required contributions for each year.

Deferred Compensation Plan

The City offers a deferred compensation plan for its employees under IRS Code Section 457. The City plan is invested in ING through the Financial Center in Emmetsburg, Iowa.

B. Other Employee Benefits

The City maintains hospitalization and life insurance coverage for all of its full-time employees. The City pays all costs of the basic insurance. The City also partially self-insures a portion of the health insurance through a health reimbursement arrangement. The account provides the employee/families money for their out-of-pocket medical costs. Yearly, the City provides \$1,000 per employee or \$2,000 for the employee's family. If it is not used during the current year it is carried over to the next year. The money can be used for current year or future year's medical expenses. If it is not used prior to retirement, it can be used for medical expenses and/or insurance premiums upon retirement from the City. If the employee quits, the money is forfeited back to the City.

C. Related Party Transactions

The Component Unit bills and collects for garbage and recycling services provided for by the Solid Waste Fund to its residents. During the year ended June 30, 2013, the Component Unit collected \$452,113 in fees for the Solid Waste Fund.

The amounts due from the Component Unit at June 30, 2013, were as follows:

Fund	Receivable	Payable
Primary Government:		
Debt Service Fund	\$ 243,322	-
Community Center Fund	18,000	-
Solid Waste Fund	36,094	-
	<u>\$ 297,416</u>	<u>-</u>
Component Unit:		
Gas Utility	\$ -	54,094
Water Utility	-	121,661
Sanitation Utility	-	121,661
	<u>\$ -</u>	<u>297,416</u>

The City also conducted business transactions with two council members and one Utility board of trustee as follows:

Council member

Steve Finer

Jensvold Motor Company	Repairs	\$ 2,684
	2013 Ford F250 Pickup	\$ 26,300

Corey Gramowski

Gramowski Construction	Housing Rehabilitation	\$ 55,201
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Emmetsburg Municipal Utilities board of trustee

Nick Steinkamp

KW Electric	Repairs & project costs	\$ 28,885
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D. Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

E. Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree benefit plan, which provides medical/prescription drug benefits for retirees and their spouses. There are seventeen (17) active and no retired members in the plan. Participants must be age 55 or older at retirement. The benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the benefits as active employees and retirees are required to reimburse the City for any premiums paid under the plan. The contribution requirements of plan members are established and may be amended by the City.

The City did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions. This is a departure from Generally Accepted Accounting Principles. The amount by which this departure would affect liabilities, net assets and expenses is not reasonably determinable.

F. Violation of State Law

The City transferred \$58,780 to the General fund from the Employee Benefits fund for a health reimbursement arrangement contract as explained in Note 4 B. The General fund only spent \$9,476 on health reimbursements. The City transferred the amount that was allocated for each employee instead of the actual amount spent from the health reimbursement arrangement. The City will transfer back to the Employee Benefits fund the excess of \$49,304 and reduce its next tax asking by \$49,304.

G. Governmental Accounting Standards Board Statements

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by the City of Emmetsburg. The statements, which might impact the City, are as follows:

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, *Technical Corrects – 2012*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement is an amendment of GASB Statement No. 10 and No.

62. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity.

Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the fiscal year ending June 30, 2015. The objective of this statement is to improve the financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations are used in this Statement to refer to a variety of arrangements including mergers and acquisitions.

Statement No. 70, *Accounting for Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

City of Emmetsburg, Iowa
 Budgetary Comparison Schedule - Function Budget
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and assessments	\$ 1,466,744	1,466,744	1,476,668	(9,924)
Tax increment financing	209,669	209,669	209,670	(1)
Other City taxes	439,934	503,534	187,857	315,677
Licenses and permits	30,815	32,565	5,700	26,865
Use of money and property	64,780	64,780	52,451	12,329
Intergovernmental	2,501,586	2,616,517	1,002,777	1,613,740
Charges for services	3,999,840	4,014,840	3,645,213	369,627
Special assessments	30,500	85,500	89,899	(4,399)
Miscellaneous	25,475	25,475	1,070,590	(1,045,115)
Total revenues	<u>8,769,343</u>	<u>9,019,624</u>	<u>7,740,825</u>	<u>1,278,799</u>
Expenditures:				
Current:				
Public safety	598,652	616,519	581,341	35,178
Public works	863,406	884,356	714,777	169,579
Culture and recreation	629,312	629,871	490,815	139,056
Community and economic development	321,478	326,946	198,626	128,320
General government	391,372	392,372	365,514	26,858
Debt service	620,191	930,191	626,548	303,643
Capital projects	2,154,404	2,409,454	1,069,623	1,339,831
Business-type	4,350,444	4,539,512	3,419,713	1,119,799
Total expenditures	<u>9,929,259</u>	<u>10,729,221</u>	<u>7,466,957</u>	<u>3,262,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,159,916)</u>	<u>(1,709,597)</u>	<u>273,868</u>	<u>(1,983,465)</u>
Other financing sources (uses):				
Transfers in	2,150,986	2,478,795	2,138,180	340,615
Transfers out	(2,150,986)	(2,478,795)	(2,138,180)	(340,615)
Proceeds from refunding bonds	-	314,543	310,000	4,543
Debt service-principal	-	-	(300,000)	300,000
Total other financing sources (uses)	<u>-</u>	<u>314,543</u>	<u>10,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,159,916)</u>	<u>(1,395,054)</u>	<u>283,868</u>	<u>(1,678,922)</u>
Fund balances, beginning	<u>16,559,965</u>	<u>16,559,965</u>	<u>16,622,650</u>	<u>(62,685)</u>
Fund balances, ending	<u>\$ 15,400,049</u>	<u>15,164,911</u>	<u>16,906,518</u>	<u>(1,741,607)</u>

See notes to the required supplementary information.

City of Emmetsburg, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2013

Budgetary Reporting

The budget includes the Component Units budgeted figures as well as the Primary Governments budgeted figures.

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No.41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget basis and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital projects fund, and enterprise funds. Although the budget document presents function expenditures by fund, the legal level of control is at that aggregated function level, not by fund.

During the year, there was one budget amendment that increased budgeted expenditures by \$799,962. This budget amendment is reflected in the final budgeted amounts.

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City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(Page 1 of 5)

	Special Revenue		
	Emergency	Employee	South TIF
	Fund	Benefit	Fund
		Fund	
ASSETS			
Cash	\$ -	13,921	10,552
Investments	-	-	-
Receivables			
Property taxes	30,717	453,029	-
Tax increment financing	-	-	63,351
Other	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 30,717</u>	<u>466,950</u>	<u>73,903</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Deferred revenue	30,419	448,612	61,991
Due to other funds	298	-	-
Total liabilities	<u>30,717</u>	<u>448,612</u>	<u>61,991</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	18,338	11,912
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>-</u>	<u>18,338</u>	<u>11,912</u>
Total liabilities and fund balances	<u>\$ 30,717</u>	<u>466,950</u>	<u>73,903</u>

Special Revenue			
North TIF Fund	North TIF LMI Set Aside Fund	East TIF Fund	ECDC Trust Fund
905	167	131	54,114
-	-	-	2,352
-	-	-	-
58,574	-	76,976	-
-	-	-	693
-	-	-	-
<u>59,479</u>	<u>167</u>	<u>77,107</u>	<u>57,159</u>
-	-	-	632
58,574	-	76,976	-
-	-	-	-
<u>58,574</u>	<u>-</u>	<u>76,976</u>	<u>632</u>
-	-	-	-
905	167	131	12,049
-	-	-	34,408
-	-	-	7,027
-	-	-	3,043
<u>905</u>	<u>167</u>	<u>131</u>	<u>56,527</u>
<u>59,479</u>	<u>167</u>	<u>77,107</u>	<u>57,159</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(Page 2 of 5)

		Special Revenue	
	ECDC Revolving Loan Fund	Community Beautification Fund	LOST Fund
ASSETS			
Cash	\$ 16,509	2,040	239,016
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Other	657	-	-
Due from other governments	-	-	68,993
Total assets	<u>\$ 17,166</u>	<u>2,040</u>	<u>308,009</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	17,166	2,040	308,009
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>17,166</u>	<u>2,040</u>	<u>308,009</u>
Total liabilities and fund balances	<u>\$ 17,166</u>	<u>2,040</u>	<u>308,009</u>

Capital Projects		
Improvement Revolving Fund	Rail Road Fund	Kearny Park Fund
279,177	20,519	70,119
-	-	-
-	-	-
-	7,355	-
-	-	-
<u>279,177</u>	<u>27,874</u>	<u>70,119</u>
-	-	5,610
-	-	-
-	-	-
-	-	<u>5,610</u>
-	-	-
-	-	-
-	-	-
279,177	27,874	64,509
-	-	-
<u>279,177</u>	<u>27,874</u>	<u>64,509</u>
<u>279,177</u>	<u>27,874</u>	<u>70,119</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(Page 3 of 5)

	Capital Projects		
	Safe Routes to School Fund	Sewell Park Fund	CDBG Housing Rehabilitation Fund
ASSETS			
Cash	\$ -	61,250	19,026
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Other	-	-	-
Due from other governments	6,118	-	6,592
Total assets	<u>\$ 6,118</u>	<u>61,250</u>	<u>25,618</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Deferred revenue	-	-	-
Due to other funds	6,068	-	-
Total liabilities	<u>6,068</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	50	-	25,618
Committed	-	-	-
Assigned	-	61,250	-
Unassigned	-	-	-
Total fund balances	<u>50</u>	<u>61,250</u>	<u>25,618</u>
Total liabilities and fund balances	<u>\$ 6,118</u>	<u>61,250</u>	<u>25,618</u>

Airport Taxiline Improvement Fund	Airport Fuel Facility Fund
18,871	9,071
-	-
-	-
-	-
-	-
<u>18,871</u>	<u>9,071</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
-	-
-	-
18,871	9,071
-	-
-	-
-	-
<u>18,871</u>	<u>9,071</u>
<u>18,871</u>	<u>9,071</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(Page 4 of 5)

	Capital Projects		
	CDBG Sewer Fund	Airport Layout Plan Fund	Lake Project Fund
ASSETS			
Cash	\$ 17,314	1,569	64,846
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Other	-	-	8,493
Due from other governments	-	-	-
Total assets	<u>\$ 17,314</u>	<u>1,569</u>	<u>73,339</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 63	-	22,235
Deferred revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>63</u>	<u>-</u>	<u>22,235</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	17,251	1,569	51,104
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>17,251</u>	<u>1,569</u>	<u>51,104</u>
Total liabilities and fund balances	<u>\$ 17,314</u>	<u>1,569</u>	<u>73,339</u>

Capital Projects		
Airport Land Fund	PA Gaming Corporation Allocation Fund	Runway Improvement Fund
30,361	217,303	6,109
-	-	-
-	-	-
-	-	-
-	-	-
<u>30,361</u>	<u>217,303</u>	<u>6,109</u>
330	8,258	-
-	-	-
-	-	-
<u>330</u>	<u>8,258</u>	<u>-</u>
-	-	-
30,031	209,045	6,109
-	-	-
-	-	-
-	-	-
<u>30,031</u>	<u>209,045</u>	<u>6,109</u>
<u>30,361</u>	<u>217,303</u>	<u>6,109</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(Page 5 of 5)

	Capital Projects		Permanent
	Downtown Façade Fund	Five Island Campground Fund	Perpetual Care Fund
ASSETS			
Cash	\$ 70,925	74,492	71,950
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Other	-	-	-
Due from other governments	16,344	-	-
Total assets	<u>\$ 87,269</u>	<u>74,492</u>	<u>71,950</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 12,540	240	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>12,540</u>	<u>240</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	71,950
Restricted	74,729	74,252	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>74,729</u>	<u>74,252</u>	<u>71,950</u>
Total liabilities and fund balances	<u>\$ 87,269</u>	<u>74,492</u>	<u>71,950</u>

Total
Nonmajor
Governmental
Funds

1,370,257
2,352

483,746
198,901
17,198
98,047

2,170,501

49,908
676,572
6,366

732,846

71,950
561,168
361,623
439,837
3,077

1,437,655

2,170,501

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013
(Page 1 of 5)

	Special Revenue			
	Emergency Fund	Employee Benefit Fund	South TIF Fund	North TIF Fund
Revenues:				
Property taxes and assessments	\$ 28,631	424,468	-	-
Tax increment financing	-	-	71,391	58,571
Other city taxes	629	9,331	-	-
Use of money and property	-	-	80	23
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>29,260</u>	<u>433,799</u>	<u>71,471</u>	<u>58,594</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,260</u>	<u>433,799</u>	<u>71,471</u>	<u>58,594</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(29,260)	(450,299)	(75,414)	(58,243)
Total other financing sources (uses)	<u>(29,260)</u>	<u>(450,299)</u>	<u>(75,414)</u>	<u>(58,243)</u>
Net change in fund balances	-	(16,500)	(3,943)	351
Fund balances (deficits), beginning	-	34,838	15,855	554
Fund balances (deficits), ending	<u>\$ -</u>	<u>18,338</u>	<u>11,912</u>	<u>905</u>

Special Revenue		
North TIF LMI Set Aside Fund	East TIF Fund	ECDC Trust Fund
-	-	-
-	79,708	-
-	-	-
21	52	278
-	-	1,884
-	-	-
-	-	-
-	-	23,742
21	79,760	25,904
-	-	500
-	-	12,111
-	-	24,530
-	-	-
-	-	37,141
21	79,760	(11,237)
25,045	-	15,550
(25,636)	(79,707)	(8,216)
(591)	(79,707)	7,334
(570)	53	(3,903)
737	78	60,430
167	131	56,527

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013
(Page 2 of 5)

	Special Revenue		
	ECDC	Community	
	Revolving Loan	Beautification	LOST
	Fund	Fund	Fund
Revenues:			
Property taxes and assessments	\$ -	-	-
Tax increment financing	-	-	-
Other city taxes	-	-	-
Use of money and property	29	18	829
Intergovernmental	-	-	384,261
Charges for services	-	-	-
Special assessments	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>29</u>	<u>18</u>	<u>385,090</u>
Expenditures:			
Current:			
Public safety	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	918	-
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>918</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29</u>	<u>(900)</u>	<u>385,090</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	(10,000)	(435,559)
Total other financing sources (uses)	<u>-</u>	<u>(10,000)</u>	<u>(435,559)</u>
Net change in fund balances	29	(10,900)	(50,469)
Fund balances (deficits), beginning	17,137	12,940	358,478
Fund balances (deficits), ending	<u>\$ 17,166</u>	<u>2,040</u>	<u>308,009</u>

Capital Projects			
Improvement Revolving Fund	Rail Road Fund	Kearny Park Fund	Monroe Street Fund
-	-	-	-
-	-	-	-
-	-	-	-
-	39	118	94
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	39	118	94
-	-	-	-
-	-	-	-
-	-	-	-
-	-	7,469	11,512
-	-	7,469	11,512
-	39	(7,351)	(11,418)
103,912	-	10,310	-
(1,138)	-	-	(76,072)
102,774	-	10,310	(76,072)
102,774	39	2,959	(87,490)
176,403	27,835	61,550	87,490
279,177	27,874	64,509	-

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013
(Page 3 of 5)

	Safe Routes to School Fund	Sewell Park Fund	CDBG Housing Rehabilitation Fund	Airport Taxiline Improvement Fund
Revenues:				
Property taxes and assessments	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Use of money and property	-	107	54	12
Intergovernmental	6,118	-	56,089	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	1,763	-	-
Total revenues	6,118	1,870	56,143	12
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	6,118	-	71,277	-
Total expenditures	6,118	-	71,277	-
Excess (deficiency) of revenues over (under) expenditures	-	1,870	(15,134)	12
Other financing sources (uses):				
Transfers in	-	3,000	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	3,000	-	-
Net change in fund balances	-	4,870	(15,134)	12
Fund balances (deficits), beginning	50	56,380	40,752	18,859
Fund balances (deficits), ending	\$ 50	61,250	25,618	18,871

<div>Airport Fuel Facility Fund</div>	
	-
	-
	-
16	-
	-
	-
	-
	-
	16
	-
	-
	-
	-
	16
	-
	-
	-
	-
	16
	9,055
	9,071

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013
(Page 4 of 5)

	Capital Projects			
	CDBG Sewer Fund	Airport Layout Plan Fund	Lake Project Fund	Airport Land Fund
Revenues:				
Property taxes and assessments	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Use of money and property	50	19	-	55
Intergovernmental	435	-	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	220	-
Total revenues	485	19	220	55
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	3,512	14,149	128,671	28,197
Total expenditures	3,512	14,149	128,671	28,197
Excess (deficiency) of revenues over (under) expenditures	(3,027)	(14,130)	(128,451)	(28,142)
Other financing sources (uses):				
Transfers in	-	-	8,729	50,000
Transfers out	(13,000)	(9,888)	(38,120)	-
Total other financing sources (uses)	(13,000)	(9,888)	(29,391)	50,000
Net change in fund balances	(16,027)	(24,018)	(157,842)	21,858
Fund balances (deficits), beginning	33,278	25,587	208,946	8,173
Fund balances (deficits), ending	\$ 17,251	1,569	51,104	30,031

Capital Projects	
PA Gaming Corporation Allocation Fund	Runway Improvement Fund
-	-
-	-
-	-
171	5
-	-
-	-
-	-
396,907	-
<u>397,078</u>	<u>5</u>

-	-
-	-
-	-
140,914	236
<u>140,914</u>	<u>236</u>

<u>256,164</u>	<u>(231)</u>
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103,647	138
(177,699)	-
<u>(74,052)</u>	<u>138</u>

182,112	(93)
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26,933	6,202
<u>209,045</u>	<u>6,109</u>

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013
(Page 5 of 5)

	Capital Projects			Permanent
	Downtown Façade Fund	Five Island Campground Fund	Industrial Park Fund	Perpetual Care Fund
Revenues:				
Property taxes and assessments	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Use of money and property	45	3,029	-	-
Intergovernmental	28,741	75,000	-	-
Charges for services	-	-	-	1,455
Miscellaneous	10,000	200,264	-	-
Total revenues	<u>38,786</u>	<u>278,293</u>	<u>-</u>	<u>1,455</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	48,057	414,545	4,675	-
Total expenditures	<u>48,057</u>	<u>414,545</u>	<u>4,675</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,271)</u>	<u>(136,252)</u>	<u>(4,675)</u>	<u>1,455</u>
Other financing sources (uses):				
Transfers in	84,000	210,504	4,675	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>84,000</u>	<u>210,504</u>	<u>4,675</u>	<u>-</u>
Net change in fund balances	74,729	74,252	-	1,455
Fund balances (deficits), beginning	-	-	-	70,495
Fund balances (deficits), ending	<u>\$ 74,729</u>	<u>74,252</u>	<u>-</u>	<u>71,950</u>

Total
Nonmajor
Governmental
Funds
453,099
209,670
9,960
5,144
552,528
1,455
632,896
<u>1,864,752</u>

500
12,111
25,448
<u>879,332</u>
<u>917,391</u>
<u>947,361</u>

619,510
(1,488,251)
<u>(868,741)</u>
78,620
1,359,035
<u>1,437,655</u>

City of Emmetsburg, Iowa
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

	Modified Accrual Basis			
	2013	2012	2011	2010
Revenues:				
Property taxes and assessments	\$ 1,476,668	1,463,704	1,442,230	1,300,100
Tax increment financing	209,670	251,356	263,201	288,139
Other City taxes	187,857	187,586	155,111	437,792
Licenses and permits	5,700	16,640	28,248	11,557
Use of money and property	40,736	32,983	56,485	53,398
Intergovernmental	1,002,777	1,248,525	1,214,730	826,418
Charges for services	118,374	132,463	101,697	121,498
Special assessments	89,899	85,511	13,012	20,329
Miscellaneous	1,039,491	739,579	808,802	1,663,469
Total revenues	<u>\$ 4,171,172</u>	<u>4,158,347</u>	<u>4,083,516</u>	<u>4,722,700</u>
Expenditures:				
Current:				
Public safety	\$ 581,341	630,120	554,930	574,632
Public works	714,777	808,565	838,772	712,573
Culture and recreation	490,815	633,998	581,923	621,101
Community and economic development	198,626	161,950	126,218	103,507
General government	365,514	375,332	353,843	353,860
Debt service	626,548	498,647	468,142	1,409,646
Capital projects	1,069,623	2,099,132	1,021,468	721,372
Total expenditures	<u>\$ 4,047,244</u>	<u>5,207,744</u>	<u>3,945,296</u>	<u>4,496,691</u>

Burdorf, Parrott And Associates, P.C.

Certified Public Accountants

Edwin J. Burdorf, CPA
Patrick J. Parrott, CPA
www.bpacpa.com

313 Main, P.O. Box 359
Emmetsburg, Iowa 50536
Phone: 712-852-3347
Fax: 712-852-3348

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and City Council of
City of Emmetsburg, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Emmetsburg, Iowa's basic financial statements and have issued our report thereon dated January 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Emmetsburg, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Emmetsburg, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Emmetsburg, Iowa's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings related to the financial statements that we consider to be significant deficiencies. Part I (I-A-13) and Part I (I-B-13).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Emmetsburg, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying schedule of findings related to the financial statements. Part II (II-D-13) and Part II (II H-13).

Members American Institute of Certified Public Accountants

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Because our audit was based on test and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Emmetsburg, Iowa's Response to Findings

City of Emmetsburg Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Emmetsburg, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Burdorf, Parrott And Associates, PC.

Emmetsburg, Iowa

January 17, 2014

Schedule of Findings and Responses

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES

I-A-13 Segregation of Duties – During our review of internal controls, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. Over the past years, the City has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the City is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation function from receipt and disbursement functions.

Recommendation – We recognize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response – The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

Conclusion – Response accepted.

I-B-13 Preparation of Financial Statements

Criteria - The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition - The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less material, but more inconsequential, would be identified and corrected.

Context - While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect - As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

In accordance with Chapter 362.5 of the Code of Iowa, the transaction with Jensvold Motor Company and KW Electric may represent a conflict of interest for the repairs because the total purchases exceed a cumulative total of \$1,500 for the year. \$55,201 of the transactions with Gramowski Construction was entered into through competitive bidding in accordance with Chapter 362.5(4) and does not represent a conflict of interest.

Recommendation: The City should follow Iowa Chapter 362.5 and the City's Chapter 5.07, Conflict of interest with City officials or employees statement. The City should use competitive bidding process even for repairs if the total is going to exceed \$1,500, except in the case of emergencies.

Response: Steve Finer did not run for election for the term beginning January 2, 2014. This will no longer be a problem for the City. The City spreads its business equally through out the town's businesses. Therefore, the City felt it had not violated this section of the code of Iowa or the City. KW electric was not always bid because electrical work was spread among the businesses capable of performing the services. However, in the future, any repairs will be bid if the amount will exceed the \$1,500 with any City or Utility official or employee.

Conclusion: Response accepted.

- II-E-13** **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- II-F-13** **Council Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-13** **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-13** **Transfer of Employee Benefits** - The City transferred \$58,780 to the General fund from the Employee Benefits fund for a health reimbursement arrangement contract as explained in Note 4B in the Notes to the Financial Statements. The General fund only spent \$9,476 on health reimbursements. The City transferred the amount that was allocated for each employee instead of the actual amount spent from the health reimbursement arrangement. The City will transfer back to the Employee Benefits fund the excess of \$49,304 and reduce its next tax asking by \$49,304.

Cause - The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation - We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Response - The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of GAAP requirements in these disclosure checklists exceeds 50 pages in length. As a result, the City of Emmetsburg has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13** **Certified Budget** – Expenditures during the year ended June 30, 2013 did not exceed the amount budgeted.
- II-B-13** **Questionable Expenditures** – There were no questionable expenditures that fell outside its established policy on such costs.
- II-C-13** **Travel Expense** - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-13** **Business Transactions** - Business transactions between the City and City officials or employees are as follows:

Council member

Steve Finer

Jensvold Motor Company	Repairs	\$ 2,684
	2013 Ford F250 Pickup	\$ 26,300

Corey Gramowski

Gramowski Construction	Housing Rehabilitation	\$ 55,201
------------------------	------------------------	-----------

Emmetsburg Municipal Utilities board of trustee

Nick Steinkamp

KW Electric	Repairs & project costs	\$ 28,885
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